



U.S.-KOREA TRADE AGREEMENT

Montana Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Montana agricultural products, including beef, feed grains, wheat and vegetables. Montana's agricultural exports to all countries, estimated at \$935 million in 2009, supported about 7,500 jobs, both on and off the farm. These export sales make an important contribution to Montana's farm economy, which had total cash receipts of \$2.6 billion in 2009.

Cattle and Beef. Montana's cattle and calf industry provided the state with \$896 million in farm cash receipts in 2009, 35 percent of the state's total.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Wheat. Montana is the nation's third largest exporter of wheat and products totaling \$557 million and earnings from wheat farming are the state's largest source of farm cash receipts which totaled \$950 million in 2009. Under the KORUS agreement:

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or the 1-percent tariff under its autonomous tariff-rate quota (TRQ).
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

Barley. Barley ranks as Montana's third largest source of farm cash receipts with earnings of \$190 million in 2009. The KORUS agreement will provide many benefits to the barley industry.

- The new 2,500-metric ton duty-free TRQ established for unhulled and naked barley will give the United States a tariff advantage over competitors such as Australia and China.
- The new 9,000-metric ton duty-free TRQ established for unroasted malt and/or malting barley provides the United States with 10- and 20-percent tariff advantages, respectively, over our competitors.

Vegetables and Vegetable Products. The state's fresh and processed vegetable exports were estimated at \$72 million in 2009. Under the KORUS agreement:

- Tariffs on asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- A new 3,000-metric ton duty-free TRQ for fresh potatoes and a new 5,000-metric ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years while the tariff for lentils will be removed within 10 years.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Montana to World
Cattle and Beef	\$6,703,000,000	\$10,000,000
Wheat	\$8,599,000,000	\$557,000,000
Barley	\$51,000,000	\$7,000,000
Vegetables and Vegetable Products	\$5,280,000,000	\$72,000,000
Agricultural Total	\$96,633,000,000	\$935,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.